

**MULTIMEDIA**



**UNIVERSITY**

**STUDENT ID NO**

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

**TRIMESTER 1, 2021/2022**

**DTX5024 – TAXATION 2**

(All sections/Groups)

24 NOVEMBER 2021

9.00 a.m. – 12.00 p.m.

(3 Hours)

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### INSTRUCTIONS TO STUDENT

1. This question paper consists of 10 pages with 5 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

**QUESTION 1****Part A**

Anessa Skincare Sdn Bhd is a local skincare manufacturer located in Seberang Perai. It made up its accounts to 30 June every year with paid-up capital was RM2.3 million. The company has been operating since 2017.

The following is the Statement of Profit and Loss for Anessa Skincare Sdn Bhd:

**Anessa Skincare Sdn Bhd  
Statement of Profit and Loss  
For the year ended 30 June 2020**

	Note	RM	RM
Sales revenue			2,745,000
Less: Cost of sales	1		(357,000)
Gross profit			2,388,000
Add: Other income			
Rental income		120,000	
Interest income		<u>13,000</u>	<u>133,000</u>
			2,521,000
Less: Expenses			
Salaries and wages	2	866,000	
Legal and professional fee	3	55,500	
Entertainment expenses	4	239,500	
Provision for doubtful debts on receivables	5	73,800	
Utilities bill	6	5,000	
Repairs and maintenance	7	168,400	
Cash losses due to embezzlement	8	42,000	
Insurance premium	9	124,000	
Donation	10	149,000	(1,723,200)
Net profit before tax			<u>RM797,800</u>

**Notes to the accounts:**

## 1. Cost of sale:

Include in the cost of sales are:	RM
a) Depreciation	50,000
b) Provision of obsolete stocks	37,000

**Continued ...**

- |    |   |         |
|----|---|---------|
| 2. | Salaries and wages consist of:  | RM      |
|    | a) Leave passage- for managing director   | 15,000  |
|    | b) Directors' fee (part of remuneration)  | 600,000 |
|    | c) Salaries for handicapped employees   | 20,000  |
|    | d) Staff training cost (unapproved)   | 101,000 |
|    | e) EPF contribution for directors   | 130,000 |
| 3. | Legal and professional fee consist of:  | RM      |
|    | a) Income tax appeal  | 16,000  |
|    | b) Company secretarial fee and tax filing   | 18,000  |
|    | c) Statutory audit fee  | 7,000   |
|    | d) Registration of trademark  | 12,000  |
|    | e) Stamp duty for increased share capital   | 2,500   |
| 4. | Entertainment expenses consist of:  | RM      |
|    | a) Promotional samples  | 6,000   |
|    | b) Dinner with potential clients  | 4,500   |
|    | c) Gift without company logo  | 30,000  |
|    | d) Annual dinner for employees and family   | 189,000 |
|    | e) Lunch with oversea dealers   | 10,000  |
| 5. | Provision for doubtful debts on receivables consist of:   | RM      |
|    | a) General provision for trade receivable   | 18,000  |
|    | b) Specific provision for trade receivable  | 35,800  |
|    | c) Non-trade debt   | 20,000  |
| 6. | Of the amount, it includes a deposit for electricity and water amounting to RM2,000 and RM700 respectively.                           |         |
| 7. | Repairs and maintenance consist the following:  | RM      |
|    | a) Cost of installing pathway for disabled staff  | 26,000  |
|    | b) Repair of the broken toilet in factory   | 2,000   |
|    | c) Enhancement of the office building   | 72,000  |
|    | d) Replace the whole roof with new one  | 59,000  |
|    | e) Maintenance of mixing machine  | 9,400   |
| 8. | The total includes an amount of RM30,000 embezzled by one the directors in the company. A police report was lodged but was dismissed. |         |

Continued ...

9. Insurance premiums consist of: RM
- |  |        |
|--|--------|
| a) Key-man's endowment policy for a director               | 7,000  |
| b) Key-man whole life policy for a sales manager           | 12,000 |
| c) Term life policy to cover risk of life of key personnel | 84,000 |
| d) Fire insurance of factory building                      | 21,000 |
10. The company contributed ICT equipment worth RM149,000 to National Library of Malaysia to improve the facilities for the use of the public.
11. The company is entitled for: RM
- |                        |         |
|------------------------|---------|
| a) Capital allowance   | 383,000 |
| b) Balancing allowance | 70,000  |

**Required**

Determine the statutory business income for business for Anessa Skincare Sdn Bhd for the year of assessment 2020. Start your computation from the net profit before tax.

(20 marks)

**Part B**

Some companies in Malaysia encounter difficulties to differentiate between deductible and non-deductible of business expense expenses.

**Required**

As a professional tax advisor, explain **FIVE** (5) types of deductibility tests to be considered when determining the deductibility of the business expenses.

(10 marks)

(Total: 30 marks)

**Continued ...**

**QUESTION 2**

Pau Zara Sdn Bhd is a manufacturing firm which produces steamed buns since 2016. Its head quarter office is currently located in Pagoh, Johor. It made up its accounts to 31 December each year.

- i) On 12 November 2016, the steamed buns factory was constructed and completed on 12 February 2017. 20% of the factory building is being utilised as the administration office. The details of the expenditure incurred are as follows:

<b>Particulars</b>	<b>RM</b>
Cost of land	759,651
Legal fee (RM7,764 relates to the acquisition of the land)	15,764
Fencing	46,000
Architect's fees	35,000
Cost of plan approval	58,000
Road and car park	365,000
Cost of internal roads construction	74,000
Drainage and car park	69,000
<b>Total</b>	<b>RM1,422,415</b>

- ii) On 1 July 2018, the company purchased a new BMW car for the marketing manager. The car was not registered as commercial vehicle. The details are as follows:

<b>Particulars</b>	
Cash price	RM290,000
Hire purchase price	RM380,000
Deposit	RM20,000
Monthly instalment	RM8,000
Number of instalments	36 times
First instalment	1 November 2018

- iii) The company also bought 3 glass cabinets on 15 October 2018 to display all the packaging and product samples. The total cost of all cabinets amounting to RM58,000.

**Required**

Compute the capital allowances/industrial building allowances applicable Pau Zara Sdn Bhd for all the relevant years of assessment to 2020 for the following:

- (a) Construction of factory building up to the year of assessment 2020. (10 marks)  
 (b) BMW car. (8 marks)  
 (c) Glass cabinets. (2 marks)

(Total: 20 marks)

**Continued ...**

**QUESTION 3**

Yoasobi Shell is a partnership business, owned by Tiffany, Devi and Fitri since year 2019. Its main business activity is to provide financial advisory service. The accounting year end is 31 December annually.

**Yoasobi Shell**  
**Statement of Profit or Loss**  
**For the year ended 31 December 2020**

	<b>RM</b>	<b>RM</b>
Sales		1,234,879
Less: cost of sales		(420,189)
Gross profit		814,690
Less: Expenses		
Salary and EPF	78,000	
Partners' salaries	120,000	
Depreciation	14,000	
Annual dinner for staff	26,690	
Partners' insurance premium	12,000	
Partner's leave passage (Devi)	8,000	(258,690)
Net profit		<u>556,000</u>

Additional information:

1. The profit-sharing ratio among partners are as follows:

<b>Partners</b>	<b>1.1-30.6.2020</b>	<b>1.7-31.12.2020</b>
Tiffany	1/5	1/3
Devi	2/5	1/3
Fitri	2/5	1/3

2. The partners' insurance premium covers the life insurance of partners, RM4,000 for each partner.
3. Each partner charges a salary of RM40,000 per annum.
4. The leave passage refers to the personal leave passage for Devi.
5. Capital allowance for the year ended 2020 was RM150,000.

**Required**

- (a) Compute the partnership's provisional adjusted income. (3 marks)
- (b) Calculate the divisible income. (2 marks)
- (c) Calculate the adjusted income for each partner. (11.5 marks)
- (d) Calculate the statutory income of each partner. (3.5 marks)

Note: Show all the relevant workings.

(Total: 20 marks)

**Continued ...**

**QUESTION 4****Part A**

If a person incurs qualifying mining expenditure for the working of mine, he can claim the mining allowance as a revenue expense against the gross income.

**Required**

List type of qualifying mining expenditure in connection with the working of a mine or preparation for the working of mine. (4 marks)

**Part B**

Timah Asli Sdn Bhd operated a new mine from 1 January 2015. The company incurred qualifying mining expenditure of RM360,000 on 1 July 2016. The expected life of the mine is 10 years. The company closes its account 31 December annually.

**Required**

Calculate the mining allowance due to Timah Asli Sdn Bhd up to the year of assessment 2020. (6 marks)

(Total: 10 marks)

**QUESTION 5****Part A**

Ombre Sdn Bhd is presently developing a bowling centre in Kota Kemuning, Selangor. During the year ended 31 December the company made the following payments:

- 1) RM450,000 to Mr Cheng Xiaomeng, a citizen of China being interest on RM10 million loan at the interest rate of 4.5% per annum. The loan is used as working capital of the company.
- 2) RM80,000 being royalties paid to Sky-Link Sdn Bhd, (located in Johor Bahru) for use of patents relating to foundation work.
- 3) RM300,000 to Kang Song incorporated (resident in Korea) for cost of plant and machinery.
- 4) RM400,000 to Dyeon Won Corp (resident in Korea) for technical advice on the installation of plant and machinery rendered in Korea.
- 5) RM1,500,000 to Wien Mech Ltd, citizen-resident of Germany for contract work (service portion) on infrastructure and buildings carried out in Malaysia.

**Continued ...**

**Required:**

Explain with reason, whether each of the above payments is subject to withholding tax, state the rate of withholding tax where applicable by using the table below:

No	Section	Total gross amount paid	Total tax withheld	Total net amount paid
1				
2				
3				
4				
5				

(8 marks)

**Part B**

Withholding tax is imposed on non-residents who has business dealings in Malaysia. Such a non-resident does not have business presence in Malaysia but merely renders services from his home country (trading with Malaysia).

**Required:**

Briefly explain **FOUR** (4) the exemptions which applicable to public entertainers' remuneration. (2 marks)

**Part C**

Mr Zhou Chan (resident in China) loves spending time with his family in Melaka during long holiday. So, he acquired two properties in Melaka. Unfortunately, due to Covid-19 pandemic, he decided to dispose all his of properties.

The details of his properties are as follows:

Particulars	Bungalow	Condominium
<b>Acquisition:</b>	<b>RM</b>	<b>RM</b>
Acquisition date	2 November 2015	6 May 2018
Consideration paid	RM700,000	RM600,000
Legal fee	3,000	4,500
Stamp duty of transfer	5,000	8,000
Real estate agent fee	21,000	18,000
Cost of advertisement	1,000	2,700
Renovation/enhancement	80,000	10,000
Compensation from developer	-	25,300
Insurance recoveries	25,000	14,400
Deposit forfeited	7,000	-

**Continued ...**



<b>Disposal:</b>		
Disposal date	15 August 2020	20 October 2020
Consideration received	RM1,500,000	RM450,000
Valuation fee	12,000	8,500
Real estate agent's fee	30,000	22,000
Legal fees for defending title	5,000	3,500
Cost of advertisement	1,500	700

**Required**

Calculate the real property gains tax payable by Mr Zhou Chan in year 2020. (10 marks)

(Total: 20 marks)

**Continued ...**

**APPENDIX**

**The following rates and allowances are to be used in answering all questions:**

**Rates of Capital & Industrial Buildings Allowances for YA 2020:**

<b>Fixed assets/ Rate</b>	<b>Initial Allowance</b>	<b>Annual allowance</b>
Motor vehicles, Heavy machinery	20%	20%
Computers	20%	20%
Plant & Machinery (general)	20%	14%
Office equipment, Furniture & Fittings	20%	10%
Industrial building	10%	3%

**Rates of Real Property Gains Tax YA 2020:**

<b>Real property</b>	<b>Malaysian Individual (Permanent resident or citizen)</b>	<b>Foreigners</b>	<b>Companies</b>
Disposal within 3 years	30%	30%	30%
Disposal in the 4th years after the acquisition date	20%	30%	20%
Disposal in the 5th years after the acquisition date	15%	30%	15%
Disposal in the 6th years after the acquisition date or thereafter	5%	10%	10%

**End of Paper**